

**ERIE COUNTY CLERKS OFFICE****County Clerk's Recording Page**Return To:

BOX 180

Party 1:

PEW DAVID R

Party 2:

COTTON WELL DRILLING COMPANY INCBook: **11193** Page: **10**Page Count: **9**Doc Type: **OIL&GAS LEASE <500**Rec Date: **11/30/2010**Rec Time: **03:45:16 PM**Control #: **2010218155**User ID: **cynthia**Trans Num: **987888**DEED SEQ: **TT2010006464**

MTG SEQ:

UCC:

SCAR:

INDEX:

Recording Fees:

RECORDING	\$65.00
COE CO \$1 RET	1.00
COE STATE \$14.25 GEN	\$14.25
COE STATE \$4.75 RM	\$4.75
TP584	\$10.00

Consideration Amount: \$452.50

BASIC	\$0.00
SONYMA	\$0.00
ADDL	\$0.00
NFTA MT	\$0.00
TRANSFER	\$0.00
NFTA TT	\$0.00

Total: \$95.00

STATE OF NEW YORK
ERIE COUNTY CLERK'S OFFICE

WARNING - THIS SHEET CONSTITUTES THE CLERK'S ENDORSEMENT,
REQUIRED BY SECTIONS 319&316-a (5) OF THE REAL PROPERTY LAW
OF THE STATE OF NEW YORK. DO NOT DETACH. THIS IS NOT A BILL.

Kathleen C. Hochul
County Clerk

Box 180 (WHT)

COTTON WELL DRILLING COMPANY, INC

OIL & GAS LEASE

THIS AGREEMENT, made the 10th day of November 2010, by and between David R. and Mary Lou Pew; Address 3989 Schuster Road, Eden; State New York; County Erie; LESSOR, and COTTON WELL DRILLING COMPANY, INC., P.O. Box 203, Sheridan, New York 14135, LESSEE (A New York Corporation)

WITNESSETH that the said LESSOR(s) in consideration of the sum of Four hundred fifty-two dollars and 50 cents (\$452.50) (@\$5 per acre) to them in hand well and truly paid by the LESSEE, the receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of the said LESSEE to be paid kept and performed, does__ hereby grant, demise, lease and let exclusively unto the said LESSEE, its successors or assigns for the sole and only purpose of drilling and operating for oil and gas or storing in any gas sands on the premises and withdrawing therefrom gas originally produced from other lands, and of laying such pipelines and building such tanks, stations and structures thereon, constructing such rights of ways and drilling any water well or wells as may be necessary to produce, maintain, repair, withdraw and transmit such oil and gas.

ALL CERTAIN tract of land situate in Eden, Township, part of Tax Map #239.00-3-32.111 and 239.00-3-32.112 and bounded substantially as follows:

On the North by lands of Schuster Road

On the East by lands of John Matwijkow

On the South by lands of Mendik and Kazmierczak

On the West by lands of Blasz, Achtyl, Blasz, Beiter, Keller

Containing 85.5 and 5 acres, more or less, respectively.

IT is agreed that this lease shall remain in force for the term of two (2) years from date, and as long thereafter as oil or gas or either of them is produced or withdrawn from said land by the LESSEE, its successor or assigns, and /or if LESSEE or its successors shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations continue with due diligence and if production results therefrom, then as long as production or withdrawals continue.

2/18/55
452.50
2954 - 8 - 0

Add 2nd. DRP.
In Consideration of the Premises the said Lessee covenants and agrees
as follows:

1st--To pay at the rate of 1/8th of the field price of gas from each and every gas well drilled on said premises, the product from which is marketed and used off the premises, said payment to be made on each well, on a regular basis to the landowner, according to the acreage used in well boundaries.

2nd--To complete a well on said premises on or before the 10th day of November 2012, or pay to the said LESSOR(s) thereafter in advance the sum of \$100 Dollars rental for each month such completion is delayed, and LESSEE agrees this delay shall not exceed a period of two months commencing from the date of the signing of this lease and it is agreed that the completion of a well shall be and operate as a full liquidation of all rental under paragraph 3 during the remainder of the term of the lease. If the rental reference herein are in addition to the free gas which the LESSOR(s) is entitled to receive as set forth in paragraph 5 below.

3rd--The said LESSOR(s) covenant(s) and agree(s) that all monies due under this lease shall be paid to David R. and MaryLou Pew; Address 3989 Schuster Road, Eden NY 14057.

4th--The LESSOR(s) hereby warrant(s) and agree(s) to defend the title to the land herein described and agree(s) that the LESSEE at its option may pay and discharge any taxes, mortgages, or installments thereof or interest thereon or other liens existing at any time against the above described lands upon 30 days notice to LESSOR(s) to cure by LESSOR(s), and in the event the LESSEE exercises such option it shall be subrogated to the rights of any holder or holders or such liens and may reimburse itself by applying to the discharge of any such taxes, mortgages or installments thereof or interest thereon, or other lien, any royalty or rentals occurring hereunder. Nothing herein shall in any way affect LESSOR's rentals of the premises at their option. LESSEE shall have no rights nor interfere with LESSOR(s) tenants on the premises. Also, LESSEE is aware that a portion of the LESSOR(s) property is utilized for farming purposes and shall ensure that all improvements placed on premises in connection with this Lease shall be placed below plow depths. LESSEE shall be responsible for any damage caused by the installations of any improvements which conflict with plowing or cultivating the premises.

5th--IT IS MUTUALLY AGREED by the parties hereto as follows:

- (a) No well shall be drilled nearer than two hundred (200) feet to the house or barn now on the described premises without the written consent of the LESSOR(s).**
- (b) FREE GAS FOR LESSOR. If gas is found in paying quantities and conveyed from the Premises and marketed, the LESSOR reserves the rights to take gas from the well on the Premises not exceeding 300,000 cubic feet per year free of cost for the 1st well and 200,000 cubic feet per year free of cost for the 2nd well, for LESSOR(s) personal use, by laying the necessary line and making connections at the LESSOR's own risk and cost, and the LESSEE shall not be in any way liable for insufficient supply caused by the use of pumping stations, breakage of lines or otherwise; and nothing herein shall prevent the LESSEE from abandoning any well or wells and removing the pipe therefrom. If more than ^{300,000} ~~200,000~~ cubic feet per year is so used, the excess shall be paid for at the prevailing rate charged to domestic consumers in the area where LESSOR(s) resides.**
- (c) It is agreed that the LESSEE is to have the privilege of using sufficient water if available from the premises to run all necessary machinery, and at any time to remove all machinery and fixtures placed on said premises; and further upon the payment of One Dollar at any time to the LESSOR(s), heirs, executors, administrators or assigns, said LESSEE, its successors or assigns, shall have the right to surrender this lease for cancellation, after which all payments and liabilities thereafter to accrue under and by virtue of its terms shall cease and determine, and this lease shall become absolutely null and void. In that event, the premises shall be returned to its original state at LESSOR's option as set forth below. Furthermore, LESSEE shall be responsible for the cost of obtaining, creating, and filing a Release of this Lease and filing the same with the Erie County Clerk's Office or any**

other Agency, which may require being discharged. Lessee agrees to cooperate and shall obtain all necessary releases from any assignees and shall be responsible for the cost of obtaining and filing any such releases.

- (d) All expressed or implied covenants of this lease shall be subject to all Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated in whole or in part, nor LESSEE held liable in damages, for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.**
- (e) The rights of either party under this lease may be assigned in whole or in part. No assignment by the LESSOR or change of division in ownership of the Premises, or any rights hereunder, however accomplished, shall operate to enlarge the obligations or liabilities or diminish the rights, powers or privileges of the LESSEE. No such assignment or change or division in ownership shall be binding upon LESSEE for any purpose until LESSEE shall be furnished with a certified copy of the recorded instrument or other legally authenticated written evidence of such assignment or change. Any assignment of this Lease by Cotton or the LESSEE shall not relieve Cotton or the LESSEE of their responsibility and obligations set forth herein. In the event of a partial assignment by LESSEE, the rentals shall be apportioned as between the several owners ratably according to the surface area of each, and failure by one of them in any such payment shall not affect the validity of the lease on the portions of the Premises with respect to which pro rata payment is timely paid or tendered.**
- (f) If any person named as LESSOR does not execute this lease, it shall nevertheless be effective as to each other person named as LESSOR who does execute it.**

- (g) All terms, conditions, limitations and covenants between the parties hereto shall extend to their respective heirs, successors, personal representatives or assigns.**
- (h) The LESSEE will hold harmless, defend and indemnify LESSOR(s) for any claims made as a result of the lease or any parties present on the premises, whether to person or property of any damage to LESSOR(s) water system.**

LESSEE shall be responsible to remediate the premises and any damage to LESSOR(s) premises as a result of LESSEE or Cotton's operation on the premises and any cost or expense to return the premises to its original state in the event this Lease is discontinued or terminated, including the cost of removing any improvements placed on the premises by the LESSEE in connection with this Lease. LESSOR(s) shall have the option to retain any improvement on the premises or to have LESSEE remove any improvements and the cost therefor.

- (j) LESSOR has the right to retain and acquire any well abandoned by LESSEE or, at LESSOR's option, require that LESSEE remove any and all improvements made by LESSEE in the installation and operation of any well or transmission of gas to, over or from the premises, or any damage occasioned by LESSEE's use and operations of lands associated with this Lease and utilized in connection with this Lease.**

Subdivision 5 of section 5-333 of the general obligations law is REPEALED and two new subdivisions 5 and 6 are added to read as follows:

On or after January first, two thousand six, and oil or gas lease shall contain the following statement printed in at least ten point bold type:

THIS IS A LEASE OF OIL AND GAS RIGHTS, NOT A SALE, CONTAINING TERMS THAT MAY BE NEGOTIATED BY YOU. YOU HAVE THE RIGHT TO CANCEL THIS LEASE WITHIN THREE BUSINESS DAYS AFTER EXECUTION OF THE LEASE BY NOTIFYING THE LESSEE THAT YOU HAVE CANCELLED THIS CONTRACT. IN ORDER TO CANCEL THIS LEASE, YOU MUST EXECUTE A NOTICE OF CANCELLATION IN THE FORM PROVIDED BELOW, MAIL IT TO THE LESSEE AND REFUND ALL AMOUNTS PAID TO YOU BY THE LESSEE WITHIN THE THREE-DAY CANCELLATION PERIOD. THE MAILING MUST BE POSTMARKED WITHIN THE THREE-DAY CANCELLATION PERIOD TO BE EFFECTIVE.

NOTICE OF CANCELLATION
I/WE HEREBY CANCEL THIS LEASE.
DATED:
SIGNATURE:

THE PERSON PRESENTING THIS LEASE TO YOU IS () NOT (X) A MEMBER OF name of organization AND THEREFORE IS () IS NOT (X) SUBJECT TO A CODE OF CONDUCT. IF THE PERSON PRESENTING THIS LEASE TO YOU IS SUBJECT TO A CODE OF CONDUCT, A COPY OF THE CODE OF CONDUCT MUST BE PRESENTED TO YOU WITH THIS LEASE. IF APPLICABLE, THE CODE OF CONDUCT PROVIDES A DISPUTE RESOLUTION MECHANISM FOR ANY DISPUTE THAT YOU MAY HAVE REGARDING THE MANNER BY WHICH THIS LEASE WAS PRESENTED TO YOU. IF YOU HAVE ANY SUCH DISPUTE, YOU MAY INVOKE THE DISPUTE RESOLUTION MECHANISM OF THE CODE OF CONDUCT BY CONTACTING THE PERSON OR PERSONS DESIGNATED IN THE CODE OF CONDUCT. THE FAILURE OF THE LESSEE TO PAY ANY ROYALTIES TO YOU AS REQUIRED UNDER THE TERMS OF THE LEASE FOR A PERIOD OF FOUR CONSECUTIVE MONTHS OR MORE SHALL BE A DEFAULT UNLESS OTHERWISE PROVIDED BY LAW, AND WILL RESULT IN CANCELLATION OF THE LEASE APPLICABLE TO THE TARGET FORMATION OF THE WELL WITHIN THE SPACING UNIT, FOLLOWING WRITTEN NOTIFICATION TO THE LESSEE OF YOUR INTENT TO CANCEL AND SIXTY DAYS FOR THE LESSEE TO CURE THE DEFAULT. IF THE LESSEE HAS A BONA FIDE DISPUTE REGARDING THE GROUNDS FOR CANCELLATION, SUCH DISPUTE AND THE REASONS THEREFOR MUST BE PROVIDED TO YOU IN WRITING OR THE DEFAULT MUST BE CURED WITHIN SUCH SIXTY DAY PERIOD, OTHERWISE THE LEASE SHALL BE CANCELLED.

The provisions of subdivision five of this section shall apply to leases entered into on or after January first, two thousand six.

The said LESSOR(s) has hereunto set his/her hand the day and year first above written.

David R. Pew LESSOR

STATE OF NEW YORK } SS:
COUNTY OF CHAUTAUQUA }

On this 10th of November, in the year 2010, before me, the undersigned, a notary public in and for the said state, personally appeared David R. Pew, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument.

Lorry A. Schneider
Notary Public (affix seal)

LORRY A SCHNEIDER
NOTARY PUBLIC-STATE OF NEW YORK
No. 015C6207235
Qualified in Chautauqua County
My Commission Expires June 08, 2013

The said LESSOR(s) has hereunto set his/her hand the day and year first above written.

Mary Lou Pew LESSOR

STATE OF NEW YORK } SS:
COUNTY OF ERIE }

On this 13 of November, in the year 2010, before me, the undersigned, a notary public in and for the said state, personally appeared Mary Lou Pew, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s) or the person upon behalf of which the individual(s) acted, executed the instrument.

Amanda J. Blidy
Notary Public (affix seal)

Amanda J. Blidy
Notary of Public, State of New York
Qualified in Erie County
My Commission Expires July 26, 2013
7/26/13